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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002495

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SUBJECT: KMT INSIDER ON MA, ARMS SALES, KMT POLITICS

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

11. (C) Summary: KMT legislator Joanna Lei told AIT that KMT Chairman Ma Ying-jeou's position on arms sales is not yet fully supported by the party's legislative caucus. Lei said Ma's inept handling of the recall against President Chen demonstrates that Ma must learn how to give orders and demand compliance. Ma's Japan trip had rough spots because the KMT has forgotten how to work with the Japanese. There will be little KMT participation at the upcoming Conference on Sustainable Economic Development because Chen's recent announcement to continue his "active management" policy precluded meaningful progress on cross-Strait ties, Lei said.

The Sogo investigation involving First Lady Wu Shu-jen will close soon, Lei predicted, and will not result in any charges. End Summary.

KMT Consensus on P-3Cs, But Little Else

12. (C) KMT Legislator and professed Ma ally Joanna Lei told AIT on July 17 that Ma's statement of the "official" party position on arms purchases remains a minority position within the KMT LY caucus. Lei explained that although Ma himself favors the purchase of P-3C ASW aircraft, is willing to consider funding the submarine exploratory committee, and has adopted KMT Legislator Su Chi's position that PAC-II upgrades should be exempted from the failed missile defense referendum "ban," the majority of the KMT LY caucus do not yet agree, especially on the scope of the Patriot missile "ban." KMT LY Speaker Wang Jin-pyng has endorsed buying the PAC-II upgrades now (versus waiting until after the "ban" on PAC-IIIs expires in March 2007), but did so in order to develop better relations with the Chen administration, Lei said, not to help Ma. Despite remaining divisions in the party over future arms procurement, Lei said, the KMT caucus will almost certainly back the purchase of P-3C aircraft when the LY convenes in September.

No Confidence Vote a Non-Starter

13. (C) A no-confidence vote presents a special risk for Ma Ying-jeou, Lei noted. In theory the KMT/PFP alliance has the votes to pass the no-confidence bill, but if ten or more Pan-Blue legislators abstain or vote against the measure, it would demonstrate Ma is unable to control the KMT caucus, and

could lay bare divisions within the Pan-Blue alliance. Many legislators fear losing their jobs in the event of a snap election, and could break from the party line to avoid that possibility. According to Lei, as many as six KMT legislators also remain personally loyal to Lee Teng-hui, and would follow his orders to oppose any recall against Premier Su.

Ma's Neglect of Soong Sours PFP

14. (C) Relations between the KMT and PFP are tense right now, Lei acknowledged, but not because Soong pressured Ma into supporting the recall. Tensions are high because Ma has been ignoring Soong, who is trying to position himself and his party for continued survival. Soong will declare his candidacy for mayor only to bow out at the last moment, Lei predicted, in hopes of trading on that "goodwill gesture" to secure a future spot within a Ma administration.

Ma Must Learn to Lead

15. (C) Ma made the mistake of trying to allow the KMT decision on the recall motion to be made "from the bottom up." According to Lei, she told Ma that he only had three weeks to rally the base and the party to support the recall motion. There simply was no time to let grassroots supporters make a decision, have the supporters tell their representatives what they wanted, and then wait for the representatives to convince the party leadership. To succeed, the recall effort required Ma to give a direct order and demand the party follow his lead, Lei argued, but he simply is not that kind of leader. He is still learning, but

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since the KMT has no other viable options for president at this point in time, the party is forced to endure Ma's maturation process.

Japan Trip Reveals KMT Knowledge Gap

16. (C) Ma's recent visit to Japan was rocky because his staff (and the KMT party leadership) do not have anyone who knows how to work with the Japanese. According to Lei, Ma should have been less direct in his criticism of Japanese Prime Minister Koizumi for visiting the Yasukuni shrine, and a more experienced team would have prevented this misstep. Lei conceded that Ma had a difficult task, however, because, she asserted, he is laboring against years of DPP efforts to "poison" the Japanese against the KMT. Also, the Taiwan representative office in Japan did far less than their level best to arrange appropriate meetings for Ma, or to prepare him for the somewhat hostile reception he got from some Japanese politicians. Lei said Ma learned some "valuable lessons" during his trip to Japan, especially about the knowledge gaps within his team about dealing with their Japanese counterparts.

17. (C) KMT legislator and Ma defense/foreign policy advisor Su Chi echoed Lei's diagnosis that the KMT lacks expertise on Japan. Su told AIT on July 17 that within the KMT, only Vice-Chair Chiang Pin-kung has any real experience working with the Japanese. The senior Chiang was Ma's principal counselor in staging the trip and preparing his remarks. Su said the KMT has "neglected" its relationship with Japan since losing power in 2000. To improve ties with Japan, Su said, the KMT must begin rebuilding its corps of Japan specialists. Su added that Ma may return to Japan one more time before stepping down as Taipei mayor in December 2007. Ma has the perfect excuse to return, Su said, because tropical storm Bilis had forced him to cancel scheduled stops in Kyoto and Osaka.

18. (C) As an aside, Lei said the sentiment within the KMT is

that certain Japanese politicians had overstepped their bounds in presuming to criticize the KMT for blocking arms purchases. Taiwan's military purchases have nothing to do with Japan, she argued, and the Japanese had no right to dictate or to criticize the KMT for its positions on the matter.

Ma Changes Central Standing Committee Election Rules

¶9. (C) Without prior discussion or debate, Ma announced last year that the KMT would use new "local voting" procedures during this year's Central Standing Committee election. Rather than coming to Taipei to vote, party representatives will cast their votes on July 29 at local party offices. According to Lei, Ma announced the rules change as a fait accompli to deprive "old-school" hardliners of a chance to scuttle the measure, designed to reduce vote-buying. With such a measure in place, she continued, it should be much easier for Ma to replace at least a few entrenched hardliners with more pro-reform members. The recent decision by two CSC members to step down may not have been the result of direct pressure by Ma, but it was certainly his idea. Both members, Rebar Chairman Wang You-theng and Chinatrust Group Chairman Jeffrey Koo, have been involved in corruption scandals, making their continued presence on the CSC incompatible with Ma's efforts to "clean up" the KMT's image. (Note: KMT Organizational Affairs Director Liao Feng-te told AIT on July 18 that Koo stepped down voluntarily, but Ma had to apply indirect pressure on Wang to get him to bow out. End note.)

KMT Limits Participation in Economic Conference

¶10. (C) On the basis of promises from Premier Su Tseng-chang and Vice Premier Tsai Ing-wen that the upcoming Sustainable Economic Development Conference would seek genuine consensus on the future of cross-Strait links, including expanded trade, certain KMT and PFP members had agreed to attend the conference in their personal capacities, Lei noted. However, President Chen's recent announcement to strengthen the

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"effective management" aspect of his cross-Strait policy essentially precluded any possibility of real progress during the conference, Lei said. Chen intended his announcement to have exactly this effect, and to send a message to Premier Su to avoid getting ahead of Chen's curve on cross-Strait relations. To express their frustration with this perceived change in direction, the KMT and PFP leadership have encouraged their members to limit themselves to only nominal participation in the conference, Lei said.

Mud-Slinging Begins in Taipei Mayor's Race

¶11. (C) The KMT fears that the Chen administration intends to use the recently re-opened Lafayette investigation to throw mud at KMT Taipei mayoral candidate Hau Long-bin, Lei said. Hau's father, former Premier Hau Pei-tsun, was a prominent figure in the scandal, but was never indicted. Lei expressed concern that government prosecutors could try to fake overseas accounts to implicate Hau Pei-tsun in an alleged bribery scheme, or could disclose "official documents" to the French arbitration hearing to discredit him and the KMT. In a worst-case scenario, Lei added, the prosecutor could even have the senior Hau arrested on trumped up charges, just before the mayoral election. All accusations would later be proven false, but too late to reverse the damage to Hau Long-bin's mayoral campaign.

Sogo Case to Close with No Indictments

¶12. (C) Lei said sources within the prosecutor's office have informed her that the Sogo investigation of First Lady Wu

Shu-jen would be closed within the next two weeks, without any indictments. Lei said her contacts had informed her that the decision to close the case was a response to pressure and stonewalling from the Chen administration.

Comment

¶13. (C) Lei is a former New Party member, and although she has rejoined the KMT, she retains a Deep Blue outsider's critical view of the party and its chairman, Ma Ying-jeou. Lei helped Ma prepare his rebuttal to President Chen's June 20 speech, and professes to be Ma's ally, but her remarks created the impression that some KMT party leaders are increasingly frustrated by Ma's lack of forceful leadership. Nonetheless, they will continue to support Ma because he remains the party's best bet to win the presidency in 2008.
YOUNG